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BEFORE THE POSTAL REGULATORY COMMISSION WASHINGTON, D.C. 20268-0001

RETAIL ACCESS OPTIMIZATION INITIATIVE, 2011

Docket No. N2011-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO CENTER FOR STUDY OF RESPONSIVE LAW INSTITUTIONAL INTERROGATORIES CSRL/USPS-1 THROUGH 13

The United States Postal Service hereby provides institutional responses to the above-listed interrogatories of the Center for Study of Responsive Law dated August 26, 2011. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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CSRL/USPS-1. In the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS refers to 3,652 post offices, branches, and stations that will be studied for possible closure or consolidation (lines 12 through 27 of page 5 and lines 1 through 10 of page 6). Please provide the Center for Study of Responsive Law with a list of the specific criteria that will be used to determine the subset of the 3,652 post offices being studied under the Research Access Optimization Initiative (RAOI) that will be recommended for closure or consolidation.

RESPONSE:

Please review USPS-T-1 at pages 14-17. Then, also review USPS Handbook PO-101, which has been filed as USPS Library Reference N2011-1/1.

CSRL/USPS-2. Please provide the Center for Study of Responsive Law with any information regarding considerations or determinations that the USPS has made (if any) in determining possible effects on absentee ballot voting for residents in areas that would be affected by the closure of post offices, branches, and stations that are candidates for closure or consolidation.

RESPONSE:

The Postal Service has not performed any study that indicates whether there would be any effect on absentee ballot voting for residents in service areas of post offices, stations and branches that are candidates for closure or consolidation as part of the RAO Initiative. While such issues could be raised in respective discontinuance studies, no need or justification for conducting any more general study has been identified.

CSRL/USPS-3. Please provide the Center for Study or Responsive Law with any information regarding considerations or determinations that the USPS has made (if any) in determining possible effects on the ability to obtain passports of residents in areas that would be affected by the closure or consolidation of post offices, branches, and stations that are candidates for closure or consolidation.

RESPONSE:

When applied on a facility-specific basis, the discontinuance review process in the USPS Handbook PO-101 includes consideration of whether persons seeking to submit passport applications at an RAO Initiative candidate Post Office that presently accepts passport applications would need to travel to another Post Office or other government office to submit a passport application, should that RAO Initiative candidate facility be discontinued.

CSRL/USPS-4. In the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS concedes that the scope of changes that result from this initiative may be "substantially nationwide" (lines 4 through 7 of page 2). The USPS also acknowledges that it cannot estimate the actual scope of potential service changes in the same document (lines 1 and 2 of page 2). In Title 39 of the U.S. Code, Part I, Chapter 1, Section 101(b) states that: "...The Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining." Further, in Title 39 of the U.S. Code, Part I, Chapter 4, Section 404(d)(2)(A)(i through iii) states "The Postal Service, in making a determination whether or not to close or consolidate a post office – (A) shall consider – (i) the effect of such closing or consolidation on the community served by such post office; (ii) the effect of such closing or consolidation on employees of the Postal Service employed at such office; (iii) whether such closing or consolidation is consistent with the policy of the Government, as stated in section 101(b) of this title, that the Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self sustaining;...".

- (a.) How, then, does the USPS expect the closure or consolidation of even a single post office, branch, or station to impact a community's or consumer's ability to make use of the postal service?
- (b.) Would the closure or consolidation of a single post office, branch, or station not negatively impact a community's or consumer's ability to make use of the postal service?
- (c.) How would a closure or consolidation impact an employee of the post office?
- (d.) How would a closure or consolidation impact the provision of a "maximum degree of effective and regular postal services to rural areas, communities, and small towns..."?
- (e.) Does the USPS reasonably expect that the closure or consolidation of even a single post office, station, or branch would not negatively impact any of the three considerations, listed above, that Title 39 of the U.S. Code requires the USPS to consider in the closure or consolidation of post offices, branches, or stations?

RESPONSE:

- (a) The discontinuance of a particular retail facility will require some customers to obtain postal products and services, in the absence of that facility, through a mix of options including nearby postal retail facilities and alternate access channels.
- (b) See the response to subpart (a). The degree to which a change is perceived as "negative" will depend on the nature of the change and will vary on the basis of the personal circumstances and perspectives of individual customers.

- (c) Subject to the terms of existing personnel policies and applicable collective bargaining agreements, discontinuance of a postal retail location may result in employees at the discontinued facility being offered opportunities to continue employment in available positions elsewhere within the Postal Service, should such positions exist.
- (d) It would result in fulfillment of that obligation through a different mix of available postal retail locations and alternate access channels than existed before the discontinuance.
- (e) The Postal Service is not foreclosed from implementing the discontinuance of a retail facility either because it would result in: (1) some customers having less convenient access to some of its products and services, or (2) the obligation to provide service in the affected rural community or small town being pursued through a combination of sources including a nearby retail facility and alternate access channels, or (3) an adverse impact on the employment status of a current postal employee. See also, responses to Presiding Officer's Information Request No. 2, questions 3, 9, and 15.

CSRL/USPS-5. In the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS refers to 3,652 post offices, branches, and stations that will be studied for possible closure or consolidation (lines 12 through 27 of page 5 and lines 1 through 10 of page 6).

- (a.) Are there facilities included in the candidate list of 3,652 post offices, branches, and stations that are being considered for closure or consolidation solely because they are operating at a deficit?
- (b.) Are any of these facilities primarily being considered because they are operating at a deficit?
- (c.) Would any of these facilities ultimately be closed or consolidated for operating at a deficit?
- (d.) If the USPS concedes that "No small post office shall be closed solely for operating at a deficit," (as is required by U.S. Code, Title 39, 1, Chapter 1, Section 101 (b)) then under what specific criteria could the candidate post offices, branches, and stations be closed?
- (e.) The primary reasons listed in the document, "Request of USPS for an Advisory Opinion on Changes in the Nature of Postal Services" (lines 12 through 27 of page 5 and lines 1 through 10 of page 6) for inclusion in the list of candidate post offices, branches, and stations are economic in nature. How does the USPS reconcile this with the previously cited statutes?

RESPONSE:

- (a-b) Operation at a deficit was not a criterion for inclusion of any facility as a candidate for discontinuance as part of the ROA Initiative.
- (c) A small Post Office may not be closed solely for operating at a deficit. Any facility discontinued as part of the RAO Initiative will be evaluated on the basis of factors reflected in the USPS Handbook PO-101.
- (d) Retail facilities may be closed for any reasons not inconsistent with the policies of Title 39, U.S. Code.
- (e) The Postal Service used several sets of objective financial criteria and alternate access proximity data merely to create a broad pool of retail facilities each of which would be studied for discontinuance, with the purpose of RAO Initiative being to conduct a concerted effort to identify opportunities for retail access optimization. Alternatively, a candidate pool could be created by selecting all facilities whose 5-digit ZIP Code ended with a particular integer. Such selection

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RESPONSE to CSRL/USPS-T1-5 (continued)

criteria are not used to determine whether to discontinue particular facilities, but rather to create a pool of candidates to which the USPS Handbook PO-1O1 review process should be applied. The Postal Service sees no conflict between its use of objective criteria to create a pool of facilities to study and the policies referenced in the interrogatory.

CSRL/USPS-6. In the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS refers to 3,652 post offices, branches, and stations that will be studied for possible closure or consolidation (lines 12 through 27 of page 5 and lines 1 through 10 of page 6). Would the closure or consolidation of any of the post offices, branches, or stations included in the 3,652 being studied under the RAOI result in the elimination of mail delivery to a customer who previously received it from the U.S. Postal Service? Please identify each such postal facility by address.

RESPONSE:

No. The RAO Initiative will not result in the elimination of mail delivery.

CSRL/USPS-7. In the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS refers to 3,652 post offices, branches, and stations that will be studied for possible closure or consolidation (lines 12 through 27 of page 5 and lines 1 through 10 of page 6).

- (a.) If the USPS was to close all 3,652 post offices, branches, and stations being studied under the RAOI, how much does the USPS anticipate it will save annually?
- (b.) If this estimate is not available or easily produced, has the USPS considered any estimates of the cost savings produced by the closure or consolidation of post offices, branches, and stations in conjunction with its consideration, development, and/or implementation of the RAOI, and if so what are these estimates?

RESPONSE:

(a-b) Please see the response to NAPUS/USPS-T1-4.

CSRL/USPS-8. Have there been any studies on the impact of the RAOI – and potential post office, branch, or station closures or consolidations that may result – on the delivery of medicine in the event of a natural disaster, terrorist activity, or other disruption of travel? If so, please provide the Center for Study of Responsive Law with the study and its findings.

RESPONSE:

Please see the response to CSRL/USPS-6. In the absence of a perceived need, no studies of the nature described in this question have been conducted.

CSRL/USPS-9. On page 4, lines 17 and 18 of the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS states that one of its goals in pursuing the RAO Initiative is to, "capture the resulting cost savings if a determination is made to close a postal retail facility."

- (a.) Why has the USPS included the capture of cost savings among the goals of the RAOI?
- (b.) Has the USPS included the capture of cost savings among the goals of the RAOI, in part or in whole, because the USPS has realized significant budget deficits in the past several years?
- (c.) Since a part of the USPS's stated goals of the RAOI are to capture cost savings, has the USPS considered alternatives to the closure or consolidation of post offices, branches, or stations in producing equivalent or greater cost savings as those expected to be captured by the implementation of the RAOI and any subsequent closures or consolidations? If so, what alternatives has the USPS considered and what are their estimated cost savings?
- (d.) A 2010 briefing paper by the Economic Policy Institute (EPI), "Congressional Mandates Account for Most of Postal Service's Recent Losses," determines that the Congressional mandate, as a part of the "Postal Accountability and Enhancement Act" to prefund retiree health benefits has contributed significantly to the USPS's budget deficits in recent years. The briefing paper states that no other government entity or private-sector company is required to do this.
 - (i.) Does the USPS see this as an unreasonable burden?
 - (ii.) Has the USPS considered how much this Congressional mandate has contributed to its budget deficits (or surpluses) in the past 5 years (2006 2010)?
 - (iii.) What would the USPS's budget deficits (or surpluses) have been in the past 5 years (2006 2010) without this Congressional mandate?
 - (iv.) Would the elimination of this Congressional mandate offset the need to close or consolidate post offices, branches, and stations under the USPS's RAOI or otherwise?
- (e.) The EPI briefing paper referenced in CSRL/USPS-9 (d.) also states that the USPS Inspector General has determined that the USPS made \$75 billion in overpayments to the federal government for its share of its employee pension benefits.
 - (i.) In the USPS's determination to pursue the RAOI or the specific goal cited above for capturing cost savings, has the USPS considered the effect that the return of the \$75 billion in overpayments to the USPS would have on its current debt and future budget deficits (or surpluses)? If so, what effect would it have?
 - (ii.) Would the return of the \$75 billion in overpayments made to the federal government referenced in CSRL/USPS-9(e.) offset the need to close or

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¹ 1 Clemente, Frank and Tom Kiley. "Congressional Mandates Account for Most of Postal Service's Recent Losses." Economic Policy Institute. Briefing Paper #268. July 22, 2010. Accessed August 25, 2011. http://www.epi.org/page/-/pdf/BP268.pdf?nocdn=1>

² P.L. 109-435, 120 STAT 3251.

consolidate post offices, branches, or stations under the USPS's RAOI or otherwise?

RESPONSE:

- (a-b) The realization of cost savings is a general expectation when a facility is closed as the result of an optimization exercise. Capturing those cost savings, or making sure that they are realized by implementing changes intended to produce such results, seems prudent.
- (c) Some cost savings are an expected consequence of the RAO Initiative.
 Contrary to the implication of this question, the Postal Service did not establish a financial savings target and then determine that the RAO Initiative would be the chosen vehicle for pursuing that target.
- (d-e) The Postal Service's obligations to (1) meet its retail service obligations in an economical and efficient manner and (2) to expand and promote the use of alternate retail access channels are independent of whether:
 - -- the Postal Service operates at a surplus or a deficit,
 - -- the current retiree health benefits prefunding obligation is reasonable,
 - -- that obligation has affected postal surpluses or deficits, and
 - -- how the funding of the employee pension benefits is achieved.

CSRL/USPS-10. On page 4, lines 17 and 18 of the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS states that one of its goals in pursuing the RAOI is to, "capture the resulting cost savings if a determination is made to close a postal retail facility."

- (a.) Since a part of the USPS's stated goals of the RAOI are to capture cost savings, has the USPS considered the potential cost savings that could be produced by discontinuing the postage discounts provided to commercial bulk mailers for "work sharing," including bundling or presorting their mail based on its destination, attaching bar codes before presenting it in bulk to the Postal Service, or transporting mail closer to its destination, known as "dropshipping"?
- (b.) How much does the USPS spend annually by providing the postage discounts for activities discussed in CSRL/USPS-10 (a.)?
- (c.) Would discontinuing postage discounts for activities discussed in CSRL/USPS-10(a.) offset the need to close or consolidate post offices, branches, or stations under the USPS's RAOI or otherwise?
- (d.) The GAO has determined on two separate occasions in a report in 1982 and a report in 1996 that the USPS has provided discounts for a significant number of mailings which have not been prepared in a manner as required to earn bulk rates. In 1982, the GAO found that 54 percent of presorted mailings accepted by postal clerks should not have received discounts. ¹ In 1996, the GAO found that "40 percent of the required presort verifications of business mailings that we reviewed were not performed..." This indicates that the USPS may be providing presort discounts for bulk mailers that do not deserve it. Since a part of the USPS's stated goals of the RAOI are to capture cost savings, has the USPS more recently examined if discounts have continued to be provided to bulk mailers for activities described in CSRL/USPS-10(a.) that have not been prepared in a manner required to earn the discounted rates?
- (e.) Has the USPS considered the potential cost savings that could be produced by ensuring that only bulk mailers that perform the activities described in CSRL/USPS-10(a.) in the manner required to earn the discounted rates? If so, what does the USPS estimate would be saved simply by preventing commercial bulk mailers from receiving postage rate discounts for activities described in CSRL/USPS-10(a.) that they have not performed in a manner required to earn the discounted rates?
- (f.) Would preventing commercial bulk mailers who did not meet the requirements for discounted rates from erroneously receiving those discounted rates offset the need to close or consolidate post offices, branches, or stations under the USPS's RAOI or otherwise?

RESPONSE:

(a-f) In the same vein as those in CSRL/USPS-T1-9, these questions seek to connect the purposes and scope of the RAO Initiative to matters that are totally irrelevant

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¹ General Accounting Office. "Acceptance Procedures for Bulk Mailings: Postal Initiatives Show Promise." June 28, 1982., pp. 1-3.

² G.A.O. "Changes Made to Improve Acceptance Controls for Business Mail." Nov. 1999. Pp. 8.

Response to CSRL/USPS-10 (Continued)

to it. The pricing of postal products and compliance with requirements that qualify mail for various prices are matters unrelated to the RAO Initiative. Please see the response to CSRL/USPS-5(e), which references the Postal Service's ongoing obligation to fulfill its service obligations efficiently and economically, and to expand and promote alternative retail access. These ongoing obligations serve as the basis for the RAO Initiative in 2011. These ongoing obligations are unrelated to any conclusions that the GAO may have reached about postal product pricing or mailer compliance with preparation requirements 15 or 29 years ago, respectively; these obligations are equally unrelated to current Standard Mail prices and mailer compliance with preparation requirements.

CSRL/USPS-11. On page 4, lines 17 and 18 of the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS states that one of its goals in pursuing the RAOI is to, "capture the resulting cost savings if a determination is made to close a postal retail facility."

- (a.) Since a part of the USPS's stated goals of the RAOI are to capture cost savings, has the USPS considered the revenue that could be produced by reinstituting a postal savings system, as was in place from 1911 to 1966?
- (b.) Would the revenue that would be produced by a postal savings system offset the need to close or consolidate post offices, branches, or stations under the USPS's RAOI or otherwise?

RESPONSE:

- (a) Please review the responses to CSRL/USPS-T1-9(a-c). It is not clear how reinstituting the long-retired postal savings system would achieve the goal of optimizing postal retail access that uses a process of examining existing postal retail locations and alternate access options in a manner that could lead to some cost savings.
- (b) The Postal Service has performed no study that provides a basis for estimating whether the revenues generated by a revival of the postal savings system 45 years after its retirement would exceed its costs, or for projecting how any potential net revenue from such a revival would compare to cost savings that could potentially result from the RAO Initiative or otherwise. The Postal Service's ongoing obligations to fulfill its service mandate efficiently and economically, and to expand and promote alternative retail access, are not dependent upon or related to whether it could successfully revive the postal savings system.

CSRL/USPS-12. Title 39 of the U.S. Code, Part I, Chapter 4, Section 404(d)(2)(A)(i) states: "The Postal Service, in making a determination whether or not to close or consolidate a post office – (A) shall consider – (i) the effect of such closing or consolidation on the community served by such post office..."

- (a.) Has the USPS considered the impact of the closure or consolidation of a post office, branch, or station may have on the economic development of the surrounding community in conjunction with its consideration, development, and/or implementation of the RAOI?
- (b.) If the answer to CSRL/USPS-12(a) is yes, what has the USPS found? Please provide the Center for Study of Responsive Law with any and all specific information regarding the negative (or positive) effects on the economic development of surrounding communities expected from any and all specific post office, branch, or station closures or consolidations studied. If specific information is unavailable, but general studies of this effect have taken place, please provide this information instead.
- (c.) In the studies taking place as a part of the RAOI, how is the USPS measuring possible economic development impacts on the communities that surround post offices, branches, or stations being considered for closure or consolidation (as referenced in the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS refers to 3,652 post offices, branches, and stations that will be studied for possible closure or consolidation (lines 12 through 27 of page 5 and lines 1 through 10 of page 6))?

RESPONSE:

(a-c) Such matters were not studied in determining whether to pursue the RAO Initiative. In response to the solicitation for public comment on a proposed discontinuance, local residents are free to offer comments related to economic development of the surrounding community. Those comments will be considered before any final decision is made and given such weight as deemed appropriate in the circumstances of each discontinuance review. The Postal Service does not prepare estimates of economic development impact as part of each discontinuance review. Nor has it performed or commissioned such studies on a more global level.

CSRL/USPS-13. On page 4, lines 17 and 18 of the document, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," the USPS states that one of its goals in pursuing the RAOI is to, "capture the resulting cost savings if a determination is made to close a postal retail facility." In August 2010, the Mailers' Technical Advisory Committee (MTAC) held an "Innovation Symposium" during which a range of ideas were brought to the attention of the USPS.

- (a.) Since a part of the USPS's stated goals of the RAOI are to capture cost savings, has the USPS considered the cost savings or revenue generation that could result from the implementation of the ideas presented at this "Innovation Symposium"?
- (b.) If the answer to CSRL/USPS-13(a.) is yes, which specific ideas from the "Innovation Symposium" have been considered or explored, and how much have they been estimated to cost and what estimated savings would they produce?
- (c.) Would the implementation of any of the ideas presented at the "Innovation Symposium" offset the need to close or consolidate post offices, branches, or stations under the USPS's RAOI or otherwise?

RESPONSE:

Please review the responses to CSRL/USPS-T1-9(a-c), especially subpart (c). In any event, the instant interrogatory does not list, describe, or reference any of the "range of ideas" presented at the MTAC Innovation Symposium. Accordingly, it is unclear whether any are relevant to the Request filed in this docket or to retail access optimization in general.